switch long distance carriers (about which I will say more momentarily), makes the sales of any particular carrier subject to potentially large losses in the event of an anti-competitive price increase.

33. *Third*, consumer demand in long distance services is characterized by an acute tendency to switch carriers. In 1994, some 27 million households switched long distance carriers. By 1995, that number had swollen to over 42 million customers (representing some 19 percent of the interexchange carrier base). Based on data supplied by AT&T, I estimate that over 600,000 households and firms in Oklahoma switched long distance carriers in 1996. In the face of such a pronounced willingness and demonstrated ability of consumers to switch long distance providers, it is virtually inconceivable that the long distance market is characterized by anything other than effective competition.

34. After reviewing the relevant determinants of market power, I conclude that the market for interLATA services in Oklahoma is effectively competitive. In short, buyers have too many choices, firms have too much capacity, and there is simply too little customer loyalty to any given carrier for any firm to possess monopoly power or exploit consumers of long distance services in Oklahoma.

E. Empirical Evidence Supports the Conclusion That the Interexchange Market is Competitive.

35. At least two recent studies of the interexchange industry based on substantially different methodologies and different sources of data have both concluded that there is very little market power exhibited in the interexchange industry.

36. The first study, performed by the staff of the Federal Trade Commission, makes use of two data sets -- a time series for interstate calling that covers the period from July 1986

through August 1991 and a pooled sample of monthly data that covers the 1988-1991 period for the five SWBT states.[8] The study focuses on the small business and residential portion of the overall interexchange market. The results of the study support the conclusion that no firm in the interexchange marketplace holds significant monopoly power. Indeed, the study concludes that the potential economic welfare loss due to deviations of prices from those that would prevail under perfect competition are minuscule, ranging from 0.03 percent to 0.36 percent of industry revenues. *Id.* At 61.

37. The second study to provide an empirical assessment of market power in the interexchange industry is one conducted by Professors Simran Kahai, David L. Kaserman and myself.[9] *See* Exhibit JWM- 8. Based on quarterly observations on interstate calling volumes and tariffed rates for residential MTS service between the third quarter of 1984 and the fourth quarter of 1993, we simultaneously estimate the total market demand and the supply of AT&T's rivals while controlling for exogenous influences such as the price of carrier access and the percentage of lines converted to equal access. Based on these estimates and known values of AT&T's market share (alternatively on a capacity and minutes-of-use basis), it is possible to measure the degree of market power held by AT&T. The results from this econometric analysis indicate that AT&T has very little market power and is therefore subject to effective competition. Given the relative size of AT&T in the interexchange market, this conclusion holds *a fortiori* for other long distance carriers.

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8 *See* Michael Ward, "Measurements of Market Power in Long Distance Telecommunications," Federal Trade Commission, Bureau of Economics, Staff Report, 1995.

9 *See* Simran Kahai, David L. Kaserman and John W. Mayo, *Is the 'Dominant Firm' Dominant? An Empirical Analysis of AT&T's Market Power*, JOURNAL OF LAW AND ECONOMICS, at 499-51 (1996).

F. **The FCC Found Numerous Competitive Conditions in the Interexchange Market.**

38. For several years, the FCC considered the issue of the status of competition in the interexchange market with an eye toward whether the market was sufficiently competitive to end price regulation of AT&T. As a consequence of that investigation, and in the presence of claims by the BOCs that the market was insufficiently competitive to warrant a removal of price regulation of AT&T, the FCC found that the long distance market was subject to a host of competitive forces and that, accordingly, AT&T should be reclassified as a "non-dominant" firm.[10] Specifically, with regard to the issue of supply elasticity, the FCC notes that "AT&T's competitors have enough readily available excess capacity to constrain AT&T's pricing behavior." *Id.* at ¶ 58. The FCC also pointed out that the source of the high supply elasticity derives not only from MCI and Sprint, but also other smaller carriers. In particular, the Commission correctly noted that "[w]e find unpersuasive the arguments that interexchange carriers other than AT&T, MCI, and Sprint are too small to exert competitive pressure." *Id.* at ¶ 62.

39. On the issue of market demand characteristics, the FCC found that "residential customers are highly demand-elastic and will switch to or from AT&T in order to obtain price reductions and desired features." The Commission also noted that "[t]he largest interexchange carriers continually promote various discount plans, which meet the needs of customers with different calling patterns (e.g. volume discounts, calling circles, postalized rates) and offer cash awards to entice residential consumers to switch carriers." *Id.* at ¶ 64.

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10 *In the Matter of Motion of AT&T Corp. to be Reclassified as a Non-Dominant Carrier,* CC Docket No. 95-427, Order, Adopted October 12, 1995.

40. In light of its consideration of supply elasticity, demand elasticity and the pronounced decline in AT&T's market share, the FCC concluded that "*[t]he behavior of the market between 1984 and 1994 suggests **intense rivalry** among AT&T, MCI and Sprint.*" *Id.* at ¶ 72 (emphasis added).

G. <u>There is No Evidence of Collusion Among Interexchange Carriers.</u>

41. As a justification to permit reintegration by the BOCs into the interLATA market, some BOCS have alleged that interexchange carriers have colluded. I have evaluated this claim and found it to be without merit.

42. At the outset it is important to note that collusion to restrain trade (a consequence of collusive price increases) is a felony offense under Section 1 of the Sherman Act. Moreover, under Section 4 of the Clayton Act, any party that is harmed by an illegal anti-competitive practice such as collusion is entitled to sue the violators and recover treble damages. Thus, were there any serious merit to this claim, it is reasonable to expect that federal and/or state antitrust enforcement agencies would have taken action against the colluders. Even if the public agencies entrusted with antitrust enforcement were not active, one might expect that aggrieved parties would have surfaced to make claims under the civil procedures for recovery. Despite these criminal and civil procedures, no claims have been made under the antitrust laws that there has been collusion in the long distance market.

43. In the absence of any evidence of explicit collusion among the various competitors in the interexchange industry, the BOCs have resorted to a more amorphous claim of "tacit" collusion in the interexchange industry. The basic idea of tacit collusion is that under certain conditions, rival firms in highly concentrated industries may gravitate toward the joint profit-

maximizing (*i.e.*, monopoly) price and output without actually entering into an explicit overt agreement to fix prices. Whether this sort of behavior is likely to occur, however, is highly dependent upon the specific characteristics of the market in question. For tacit collusion to arise, industry conditions must be favorable to the stable sort of "meeting of the minds" that must occur to sustain this highly coordinated market conduct.

44. A thorough examination of the structural characteristics of the interexchange market reveals that the industry is ***not*** conducive to tacit collusion. In a recent article I co-authored with Professor David L. Kaserman, I evaluated the structural and behavioral characteristics of the interexchange industry for the prospect of tacit collusion. In particular, at least seven structural factors are seen to impair the prospects for tacit collusion to arise:

[1] The market is characterized by low barriers to entry;

[2] The market is characterized by substantial spare capacity;

[3] The market shares of the largest firms are highly disparate;

[4] The market is characterized by a relatively complex price structure;

[5] The market is characterized by rapid product innovation;

[6] The market is characterized by a highly skewed distribution of demand; and

[7] The market is characterized by a very large number of competitors;

Exhibit JWM-9, describes in specific detail how each of these structural characteristics of the market act to deter the prospects for tacit collusion. *Id.* at 15-18.

45. Additionally, an examination of the behavioral characteristics of the industry provides equally compelling evidence that tacit collusion is not present in the interexchange industry. Specifically, at least four aspects of observed conduct and performance in the

interexchange marketplace are inconsistent with the BOCs' claim that tacit collusion is occurring in this market:

[1] The downward trend in prices (both gross and net of access charges) over the past dozen years;

[2] AT&T's market share has exhibited marked instability over time;

[3] The presence of aggressive advertising and marketing campaigns of the various long distance firms; and

[4] the consistent propensity and willingness of interexchange competitors to expand output.

Exhibit JWM-9, explains in detail why each of these behavioral characteristics of the market are inconsistent with the conclusion that interexchange firms are engaged in tacit collusion. *Id.* at 18-30.

46. In recent years, the tariffed price of AT&T basic MTS has risen. The recent price increases among tariffed rates by AT&T and other major interexchange carriers do not, however, support the assertion that there is collusion in the long distance market. In this regard, it is important to examine the issue of pricing more generally. Specifically, as competition has evolved in the interexchange industry a raft of new discount calling plans has emerged. Whether purchased from AT&T, Sprint, Worldcom, MCI or another long distance carrier, the transaction price faced by customers is likely to be substantially discounted from basic tariffed rates. This discounting has led the average rate per minute for long distance service to decline continuously in recent years. Thus, the price changes in basic tariffed rates are best seen in the context of rate restructuring that, overall, has displayed a significant downward price movement in the post-divestiture era.

47. With respect to the specific services for which tariffed rates have increased, AT&T has previously noted, "AT&T's basic schedule rates do not recover the direct costs of serving the one-third of customers that call less than $3 per month."[11] These costs include monthly subsidy costs for universal service of $.52 per customer and bill-rendering costs ranging from $.33-$.88 per customer. To the extent that these fixed monthly charges to long distance carriers are associated with maintaining a customer relationship, it is only rational that interexchange carriers would seek to cover the costs by compensatorily pricing their services. This incentive is equally true across all interexchange carriers.

48. Thus, in contrast to the fanciful -- and strained -- tale of tacit collusion spun by the BOCs, a far more straightforward market-based explanation exists for the upward movement of certain MTS rates. Indeed, to draw inferences about collusion in the industry based upon tariffed rates for basic MTS service is akin to drawing inferences about anti-competitive pricing in the hotel industry based upon the prices posted on the back of the hotel door, rather than on the basis of the rates actually quoted and charged to guests. When properly examined, virtually all evidence regarding the interexchange industry indicates that long distance firms are engaged in cut-throat rivalry to steal each other's customers and consumers are reaping the benefits of the competitive process through the availability of increasingly attractive prices.

49. BOCs' claims that most customers do not qualify for discount long distance plans and are not beneficiaries of interexchange company rivalries are preposterous. While a detailed economic analysis of competition in the provision of interexchange services very clearly reveals

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11 *Ex Parte Presentation in Support of AT&T's Motion for Reclassification as a Non-Dominant Carrier*, filed in CC Docket No. 79-252 (April 24, 1995).

that the market is subject to effective competition, this approach only confirms the "man on the street" analysis that is readily seen by essentially every long distance consumer in America. The obvious fact is that long distance firms are openly competitive in their aggressive attempts to solicit and retain customers. Whether one opens the daily newspaper, watches television, answers telephone solicitations, listens to the radio, or reads hand-out literature in check-out lines at grocery and hardware stores, it is clear that long distance companies of every size and heritage ranging from AT&T to the tiniest new entrant are actively striving to win the patronage of customers. Only the most reclusive of hermits - and apparently the BOC witnesses - could miss seeing the intense rivalry and competition occurring in the provision of long distance services.

50. While the BOCs have portrayed competition as only benefiting the largest long distance customers, in reality essentially all customers have benefited from the intense rivalry among the long distance carriers. Competition has led to a proliferation of new services for residential and small business customers, continuously improving the technical quality of service, improved customer service, and prices that more accurately reflect cost than at any other time in the post-divestiture era. Moreover, it is a gross mischaracterization of the facts for the BOCs to project that residential and small business customers are not able to take advantage of the rivalry that exists for larger customers. As noted above, television, newspaper and other forms of solicitations are *frequently* targeted at exactly these customer groups. The result is that for any consumer willing to engage in a modest amount of shopping, very attractive -- discounted -- rates are available for long distance consumers even if they are not high volume customers. For example, a recent call to Advanced Long Distance Management resulted in a quote of 10.9 cents

per minute *anytime, with no minimum amount of calling required*. This is a far cry from the 55 cents per minute rate that prevailed for a coast-to-coast call at the time of the divestiture.[12]

H. Price Leadership Does Not Mean That the Long Distance Market is Not Competitive.

51. The BOCs have charged that the long distance market evidences price leadership, and, thus, that it must not be competitive. It is important to recognize at the outset that prices routinely move together in competitive markets. Thus, the idea of "price leadership" requires far more specification if one is to take seriously the claim that contemporaneous (or nearly contemporaneous) price changes signal less than competitive performance. In this regard, the BOCs' position that the correlation of price movements is evidence of anti-competitive behavior is, at best, a poorly thought out rush to judgment, and, at worst, an overt attempt to distort policymakers' opinions away from sound public policy conclusions.

52. To be clear, economic analysis has revealed that price leadership is a routine practice in the U.S. economy and comes in several forms. For example, "barometric price leadership" occurs when a single firm that happens to be adept at reading market conditions calls out a price and other industry members routinely follow that price. This "price leadership" is thought to occur, for instance, in the automobile industry. The "followership" behavior of some industry participants in the case of barometric price leadership, however, is not in any sense anti-competitive and will continue only so long as the "leader" firm's prices remains an accurate

12 While access charge reductions have, unquestionably, contributred to the decline in prices, a proper calculation of prices, which relies upon average revenue per minute instead of basic scheduling prices standing alone, indicates that prices have fallen even after accounting for access charge changes. AT&T data reveals that, from 1987 through 1995, AT&T experienced an 33.32 percent decline in revenue per minute net of access in Oklahoma.

bellwether of market conditions. "Follower" firms will surely depart from the price called out by the "leader" should they see any profit opportunity from doing so.

53. Other types of price leadership are similarly innocuous.[13] It is for this reason that the United States Supreme Court established that a pattern of one firm calling out a price while others (in a temporal sense) follow that price is not evidence of anti-competitive behavior:

> the most that can be said as to this, is that many of its competitors have been accustomed, independently and as a matter of business expediency, to follow approximately the prices at which it has sold . . . [its products]. The law, however, does not make the mere size of a corporation, however impressive, or the existence of unexerted power on its part, an offense, when unaccompanied by unlawful conduct in the exercise of its power . . . *And the fact that competitors may see proper, in the exercise of their own judgment, to follow the prices of another manufacturer, does not establish any suppression of competition or show any sinister domination. United States v. International Harvester Co.*, 274 U.S. 693, 708-09 (1927) (emphasis added).

54. *Only* where price leadership promotes collusive, monopolistic prices does the price leadership elevate to the level of an anti-competitive concern. Yet, as I discussed earlier, numerous structural and behavioral factors in the interexchange industry indicate that collusive price leadership is not present in this industry.[14] Thus, the BOC's claim that the observed "price leadership" (really, just a correlation of price movements over time) is inconsistent with competitive market performance is, at best, mistaken, and, at worst, an intentional attempt to mislead policymakers.

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13 *See, e.g.*, the discussion of "low-cost price leadership" found in David L. Kaserman and John W. Mayo, *Government and Business: The Economics of Antitrust and Regulation*, Dryden Press, 199-200 (1995).

14 Indeed, given the numerous times that product innovations, marketing and promotional plans have been initiated by someone other than AT&T, it not at all clear that AT&T is most accurately described as the industry "leader." Consider, for instance, the well-documented blow rendered to AT&T by the introduction of MCI's Friends and Family Program or, more recently, the introduction of Sprint Sense.

V. PREMATURE REINTEGRATION BY SWBT COULD HARM THE INTERLATA MARKET.

55. As I noted earlier, if BOCs such as SWBT are permitted to reintegrate into the interLATA market before effective competition (*i.e.*, the absence of significant monopoly power) emerges in the local exchange market, incentives for monopoly leveraging emerge. Once permitted into the interLATA market, the BOCs will cease even the minimal efforts that have been exhibited so far to treat interexchange sellers as customers whose interests they have no incentive to harm. Rather, the BOCs will view interexchange firms as competitors that they seek to displace in the market. That desire to displace competitors is an inherent and typically salubrious effect of competition. If the BOCs retain a monopoly power base, this incentive to displace rivals is likely to manifest itself in anti-competitive fashion.[15] In this situation, then, reintegration by the BOC prior to the eclipse of significant monopoly power in the local exchange industry will *erode* competition in the interLATA market.

56. In considering the dangers of the premature reintegration of SWBT into the interLATA market, it is perhaps apt to recall the adage that "those who forget history are destined to repeat it." The problems presented by having a firm with monopoly control of

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15 The recent literature on the incentives for monopoly leveraging includes J.A. Ordover, A.O. Sykes, and Robert D. Willig, *Nonprice Anti-competitive Behavior by a Dominant Firm toward the Producers of Complementary Products*, *Antitrust and Regulation: Essays in Honor of John J. McGowan*, Ed. Franklin Fisher, Cambridge, MA, MIT Press (1985); Louis Kaplow, *Extensions of Monopoly Power Through Leveraging*, 85 COLUMBIA L. REV. 515-55; Michael Whinston, *Tying, Foreclosure, and Exclusion*, 80 AMERICAN ECONOMIC REVIEW 837-59 (Mar. 1990); David L. Kaserman and John W. Mayo, *Monopoly Leveraging Theory: Implications for Post-Divestiture Telecommunications Policy*, Center for Business and Economic Research, The University of Tennessee, Knoxville, TN, March 1993; Nicholas Economides, *The Incentive for Non-Price Discrimination by an Input Monopolist*, Discussion Paper #480, Center for Economic Policy Research, Stanford University, (Jan. 1997), and T. Randolf Beard, David L. Kaserman, and John W. Mayo, *Regulation, Vertical Integration and Sabotage*, Working Paper, January 1997.

bottleneck facilities competing with unintegrated rivals in adjacent markets were thoroughly documented in the antitrust suits brought by both the Department of Justice and by MCI against the Bell System companies in the 1970s.[16] While the BOCs claim that local exchange is no longer the subject of significant monopoly power that gave rise to these abuses, a close examination of the status of competition in local exchange markets in Oklahoma today reveals otherwise.[17]

57. BOCs have had a propensity to engage in actions designed to maintain, to extend, and to exploit their significant monopoly power in the post-divestiture period. As noted above, these activities fall within the general description of monopoly leveraging. This category of anti-competitive behavior includes a host of possible strategies. Most familiar among these are tying arrangements or bundling, vertical price squeezes, price discrimination, and service quality discrimination.

58. Tying or bundling describes the situation in which a monopolist can circumvent the effects of potential competition for the sales of one product by tying those sales to the availability of other (often complementary) products for which there is no competition. The classic example of this type of arrangement was IBM's practice of leasing its data processing machines only on the condition that lessees also purchase computer cards (where IBM faced

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16 *MCI Communications v. American Telephone and Telegraph Company*, 708 F.2d 1081 (1983); *United States v. American Tel. & Tel. Corp.*, 552 F. Supp. 131 (D.D. Cir. 1982), *aff'd sub nom, Maryland v. United States*, 460 U.S. 1001 (1983).

17 For a detailed description of the status of competition in local exchange markets in Oklahoma, *see* statement of Steven Turner.

competition) from IBM. A completely equivalent result can be obtained by bundling otherwise separable products together and pricing the combination as a single product.[18]

59. Vertical price squeezes may be used when the monopolized product is employed as an important input in the production process of the regulated firm's competitors. This occurs when the firm is an input monopolist that is vertically integrated. Such a firm controls and essential input, but faces competition at the downstream (final output) stage. By simultaneously increasing the price of the monopolized input and reducing the price of its own final product, the input monopolist can damage the ability of competitors to compete, even if these competitors are efficient in providing the downstream service. This could happen, say, though the provision of an optional calling plan where the access charges incurred by an IXC to provide a competing toll service offering exceeded the prices charged by the local exchange company for the entire service (both access and the potentially competitive toll service).

60. Price discrimination can also be employed as a monopoly leveraging device. For instance, a firm providing a monopoly (regulated) input to both its own downstream service and to its competitors' services may charge different rates to itself and to its competitors. An extreme form of such discrimination occurs in the case of predatory pricing. Here, the monopolist uses the profits earned in the monopolized market (A) to underwrite the losses incurred through below-cost predatory pricing in the otherwise competitive market (B). In a regulated industry, predation may be facilitated by shifting costs from product (B) to product (A) in the firm's accounts.

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18 Tying or bundling arrangements are not necessarily anti-competitive; are the other strategies that I will describe. There are potential efficiency justifications for each of these practices. At the same time, however, they can be employed as mechanisms to leverage monopoly power from one market to another.

61 Finally, because firms compete on more than one dimension (price), equivalent anti-competitive results may be obtained if the monopoly provider of an essential service is able to discriminate on non-price terms (*e.g.*, availability, quality, timeliness). For example, a refusal or delay in providing access to the local exchange network could be used to achieve results identical to those that result from any of the other aforementioned strategies.

62. Divestiture removed the incentive for the BOCs to engage in monopoly leveraging behavior with respect to the interLATA market, and this has aided the emergence of healthy competition in that market. The BOCs have, however, on a variety of occasions engaged in practices designed to forestall competition in areas where competition between the BOCs and interexchange companies has the potential to develop.

63. The case of *Great Western Directories v. Southwestern Bell Telephone Co.* is exemplary of the anti-competitive actions that are likely with premature reintegration. This case arose when two independent publishers of yellow pages (Great Western and Canyon), who were operating in Texas and Oklahoma, charged that SWBT had orchestrated an affiliation-wide concerted action "to extend the SWB monopoly of the yellow pages market and to eliminate competition by raising the costs of doing business as an independent directory . . .". Specifically, Great Western and Canyon charged that SWBT had violated Section 2 of the Sherman Act by "abusing an essential facility and through market leveraging."

The jury found that:

> [1] SWBT had monopolized and attempted to monopolize the alleged relevant markets . . . by denying reasonable access to an essential facility;
>
> [2] SWBT monopolized the same alleged markets by leveraging monopoly power; and

> [3] SWBT attempted to monopolize the alleged markets by increasing the price of the essential facility while at the same time substantially reducing [advertising] rates.[19]

64. This case of anti-competitive behavior on the part of SWBT stems directly from the possession of significant monopoly power at one stage in the vertical structure of the industry. The underlying economics parallel the situation of a prematurely reintegrated BOC and should, therefore, give pause to any prudent policymaker who is contemplating the risks of anti-competitive behavior in the event of reintegration prior to the development of effective competition in local exchange markets.

65. In another case, Pacific Bell, which will under a proposed merger become part of SWBT, was ordered to open its intraLATA market to 10-XXX competition in California. In the wake of the FCC mandate to open this market to competition -- a step opposed by the BOC -- PacBell refused to permit customers to avail themselves of an automatic routing feature that would have resulted in intraLATA traffic being directed to its new competitors. A challenge to this anti-competitive practice led to a preliminary injunction hearing. The California Public Utility Commission concluded that "Pacific is attempting to maintain a monopoly in the intraLATA market by the means of such refusal to serve." *See, MCI Telecommunications Corp. v. Pacific Bell*, No. 95-05-020 (1995), 1995 Cal. PUC LEXIS 458.

66. Collectively, these actions demonstrate that BOCs are motivated and willing to engage in actions that promote their interest over and above the broader "public interest."[20]

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19 A judgment was entered consistent with this verdict, which has been affirmed in relevant part by the U.S. Fifth Circuit. *Great Western Directories v. Southwestern Bell Telephone Company*, 63 F.3d 1378 (5th Cir. 1995).

20 Additional examples are discussed by Douglas Berneim and Robert D. Willig, *The Scope of Competition in Telecommunications*, Working Paper, Chapter 4 (1996).

While self-interested behavior is generally highly correlated with the broader social interest, the possession and desire to retain a monopoly power base creates an incentive to engage in actions that are in the profit maximizing self-interest of the firm, but are clearly counter to the goal of effective competition. BOC claims that they possess neither the incentives nor the wherewithal to engage in anti-competitive practices if allowed to reintegrate at this time are simply wrong. Vertical integration by a regulated firm with significant monopoly power at one vertical stage creates incentives for the firm to engage in anti-competitive practices against its unintegrated rivals, and we have seen ample evidence that this incentive can be borne out in actions despite the presence of regulations designed to prevent anti-competitive practices.

67. The solution is not to delay the BOCs re-entry into the interLATA market indefinitely, but rather to condition that re-entry upon a valid showing of the presence of effective competition in local exchange markets. That is precisely what Section 271 does. If this standard is tenaciously enforced, the consumer benefits of expanded competition will be substantial. Consequently, regulators must seek to put in place as expeditiously as possible a competition-enabling set of policies and to monitor the status of the development of competition in local exchange markets. Only when local exchange markets have become effectively competitive will the interests of the BOCs and the public interest be aligned such that policymakers can comfortably permit the reintegration of the BOCs, including SWBT, into the interLATA market.

VI. <u>CONCLUSION</u>

68. In my opinion, reintegration at the present time by SWBT is unwarranted and premature. It is unwarranted because the public interest benefits that might be seen to flow from

the reintegration is lacking. Specifically, while the BOCs tend to project that the interLATA market is effectively monopolized, a close examination of that assertion reveals that it is false. The interLATA market is effectively competitive. Moreover, reintegration is premature because, as is plainly evident from even a superficial examination of local exchange markets, SWBT retains significant monopoly power in the provision of local exchange and access services. In fact, competition in the market for switched services in Oklahoma is completely non-existent at the present time. Accordingly, reintegration by SWBT into the interLATA market does not at the present time promote the public interest.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF Knox)

I, JOHN MAYO, of lawful age, being first duly sworn, now state: that I am authorized to provide the foregoing statement on behalf of AT&T; that I have read the foregoing statement; and the information contained in the foregoing statement is true and correct to the best of my knowledge and belief.

John W Mayo
JOHN W MAYO
University of Tennessee
Professor Economics

SUBSCRIBED AND SWORN TO BEFORE ME this 10th day of March, 1997.

Notary Public

My Appointment Expires:

August 8, 1998

Exhibit JWM-1
12 Pages

EXHIBIT JWM-1

VITA

VITA

JOHN WINSTON MAYO

CURRENT POSITIONS:

Professor of Economics
Department of Economics
College of Business Administration
The University of Tennessee, Knoxville
Knoxville, Tennessee 37996-0550

EDUCATION:

Ph.D., 1982, Washington University (St. Louis)
M.A., 1979, Washington University (St. Louis)
B.A., 1977, Hendrix College, Conway, Arkansas

Dissertation: "Diversification and Performance in the U.S. Energy Industry"

PREVIOUS POSITIONS:

Research Associate Professor, Center for Business and Economic Research, and Associate Professor of Economics, Department of Economics, The University of Tennessee, Knoxville, July 1989-June 1994.

Research Assistant Professor, Center for Business and Economic Research, and Assistant Professor of Economics, Department of Economics, The University of Tennessee, Knoxville, September 1981-June 1988.

Chief Economist, Democratic Staff, U.S. Senate Small Business Committee, Washington, D.C., June 1984-June 1985.

Visiting Assistant Professor of Economics, Virginia Polytechnical Institute and State University, Blacksburg, Virginia, Fall 1982.

Dissertation Fellow, Center for the Study of American Business, Washington University, 1980-1981.

Adjunct Faculty, Webster College, St. Louis, Missouri, 1980.

Energy Research Fellow, International Institute for Applied Systems Analysis, Laxenburg, Austria, 1979.

Research Assistant, Graduate School of Business Administration, Washington University, 1979-1980.

Research Assistant, Institute for Urban and Regional Studies, Washington University, 1978.

Instructor, University College, Washington University, 1978.

HONORS, AWARDS, AND GRANTS:

Undergraduate: Mosley Economics Prize (#1 graduating economics major), Alpha Chi (scholastic), Blue Key, Senior Honors Seminar.

Graduate: 1977-78 University Fellowship, Washington University; 1979 National Academy of Sciences Young Research Fellow, Laxenburg, Austria; 1979-81 President, Washington University Economics Graduate Student Association; 1980-81 Dissertation Fellowship, Center for the Study of American Business, Washington University.

Post-Graduate: 1993-1995 William B. Stokely Scholar, College of Business Administration, The University of Tennessee; 1988 South Central Bell Research Grant; Research Affiliate, Center of Excellence for New Venture Analysis, The University of Tennessee; 1983-1985 Summer Faculty Research Fellowships, College of Business Administration, The University of Tennessee.

FIELDS OF SPECIALIZATION:

Industrial Organization
Applied Microeconomics
Econometrics
Energy Economics

COURSES TAUGHT:

Undergraduate: Principles of Microeconomics, Current Economic Problems, Government and Business, Intermediate Microeconomics, Energy Economics

Graduate: Managerial Economics (MBA), Managing in a Regulated Economy (MBA), Economics (Executive MBA), Industrial Organization and Public Policy (Ph.D.), The Economics of Antitrust and Regulation (Ph.D.)

PUBLICATIONS:

A. JOURNAL ARTICLES

"An Efficient Avoided Cost Pricing Rule for Resale of Local Exchange Telephone Service," (with David L. Kaserman) Journal of Regulatory Economics, forthcoming.

"A Dynamic Model of Advertising by the Regulated Firm," (with Francois Melese and David L. Kaserman), Journal of Economics (Zeitschrift für NationalÖkonomie), forthcoming.

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